

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57820

SPOKANE COUNTY, WASHINGTON

January 1, 1995 Through December 31, 1995

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SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Commissioners
Spokane County
Spokane, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Spokane County is the responsibility of the county's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the county complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the county's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the county and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

September 19, 1996

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level**

Board of Commissioners
Spokane County
Spokane, Washington

We have audited the general-purpose financial statements of Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the county, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The matters involving the internal

control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Findings is a material weakness.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

September 19, 1996

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. Controls Over Cash Receipting Should Be Strengthened

Our review of the cash receipting procedures at the county's departments revealed the following internal control weaknesses:

- a. The county does not have established written policies and procedures for cash receipting at the decentralized locations.
- b. Public funds are not being deposited intact within 24 hours of receipt as required by state law.
- c. Cash/check composition is not recorded on receipts.
- d. Departments are using blank Redi-form receipts. The use of "Redi-form" receipts increases the risk that errors and irregularities could occur and not be detected in a timely manner because the assignment of the numerical sequence to these receipt forms is not under the division's control. Without numeric control over receipts, there can be no assurance that all receipts are recorded and deposited.
- e. The county was unable to provide a comprehensive list of collection sites.

Washington State Constitution, Article 11, Section 15 states in part:

All moneys, assessments and taxes belonging to or collected for use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

RCW 36.29.020 states in part:

The county treasurer shall keep all moneys belonging to the state, or to any county, in his or her own possession until disbursed according to law.

RCW 36.48.010 states in part:

Each county treasurer shall annually at the end of each fiscal year or at such other times as may be deemed necessary, designate one or more financial institutions in the state which are qualified public depositaries as set forth by the public deposit protection commission as depositary or depositaries for all public funds held and required to be kept by such treasurer.

RCW 43.09.240:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours.

Weak internal controls over cash receipting increase the risk of theft.

These conditions have occurred because the county has failed to implement our prior cash receipting recommendations and does not have written procedures from which to establish and maintain proper control over county cash receipting.

The same conditions regarding cash receipting procedures at the county's departments were reported in our 1993 and 1994 reports.

We again recommend the following:

- a. The county should establish written policies and procedures for cash receipting at the decentralized locations.
- b. All public funds should be deposited intact within 24 hours of receipt.
- c. Cash and check composition should be recorded on receipts to ensure that all receipts are recorded and deposited.
- d. Blank Redi-form receipts should be replaced with official county prenumbered receipts controlled by the treasurer.
- e. Determine the location of all of the county's cash receipting locations.

Auditee's Response

The County agrees with this finding and is working on it. It is felt if we are going to improve controls over cash receipting, it will not only require policies and procedures for cash receipting, but also an accounts receivable subsystem. The County, at this time, has no accounts receivable subsystem; the one sold by AMS, the vendor for the LGFS System, is considered too costly to purchase (\$50,000) and maintain (\$20,000/yr.).

The County is in the process of evaluating accounts receivable software in conjunction with a different general ledger system. We have found a software package that fits our network design and are currently evaluating it. Once a decision has been made on the software, the Treasurer and Auditor will submit a resolution to the Commissioners for the adoption of the cash policy previously written by the County Treasurer. The policy will have a place for the signatures of the Elected Officials who have some or all of the weaknesses addressed in the finding.

Auditor's Concluding Remarks

While an accounts receivable subsystem would be useful in strengthening the cash receipting internal controls system, it is not the only required change which needs to be implemented. The items noted above can and should be changed quickly. We encourage the county to take rapid steps to improve the internal controls.

2. The County Should Improve The Internal Control Policies And Procedures Over The Procurement Process

During our review of the decentralized procurement internal control system, a system which processes in excess of \$24,000,000 or 29 percent of all goods and services purchased for the county, we noted the following internal control weaknesses:

- a. Established internal control procedures are not being followed by the county's departments. The purchasing system allows all departments, except public works, to purchase goods and services up to \$2,500 without using the purchasing department's services. The public works department's limits are substantially higher. Our testing determined that county departments are routinely exceeding the authorized limits for purchases.
- b. The county lacks monitoring procedures to ensure that negotiated prices for goods and services are obtained by the decentralized purchasing departments. During our testing, we noted one purchase of office supplies which was invoiced at 242 percent over the lowest quote obtained by the purchasing department. Also noted, was a purchase of automotive parts which was invoiced at 165 percent over the price negotiated by another county department. Lack of monitoring of decentralized purchase orders allows noncompliance with purchasing procedures to occur and continue.
- c. Built-in computer internal controls are routinely circumvented. The computer system has been programmed to limit the amount of purchases charged to specific account codes. During our testing we noted that departments intentionally used improper account codes which bypassed established purchasing limits controls.
- d. No independent review of departmental purchases is made by the purchasing department. This resulted in purchasing noncompliance in the departments. For example, we found that only two quotations were obtained on purchases (repairs) over \$2,500 by the safety loss department.
- e. The departments decentralized purchasing fails to follow established county policies and procedures. Purchases are routinely made from vendors who are not within the required county approved contracts.

RCW 36.32.240 states in part:

. . . the purchasing department shall contract on a competitive basis for all public works, enter into leases of personal property on a competitive basis, and purchase all supplies, materials, and equipment on a competitive basis, for all departments of the county . . . except that the county purchasing department is not required to make purchases for the county hospital, or make purchases that are paid from the county road fund or equipment rental and revolving fund.

RCW 36.32.245 (3) states in part:

For advertisement and formal sealed bidding to be dispensed with as to purchases between two thousand five hundred and twenty-five thousand dollars, the county legislative authority must use the uniform process to award contracts as provided in RCW 39.04.190.

RCW 39.04.190 states in part:

Municipalities shall by resolution establish a procedure for securing telephone or written quotations, or both, from at least three different vendors whenever possible to assure that a competitive price is established and for awarding the contracts for the purchase of any materials, equipment, supplies or services to the lowest responsible bidder

Spokane County Purchasing Department Purchasing Procedures Manual states in part:

. . . the use of county contracts is required by all agencies of the county that are authorized to use them.

The county has not implemented sufficient controls over the decentralized purchasing system to ensure that established policies and procedures are followed.

The purpose of competitive bidding statutes is to promote honesty and economy in public contracts. Further, the county's policies and procedures have been established to ensure that funds are used as prudently as possible. By not following the county's established policies and procedures the county is not able to demonstrate that they received the best price for the goods and services purchased.

We recommend the county enforce requirements as stated in the county purchasing procedures manual. Further, we recommend the county develop a centralized review for decentralized purchase orders and purchase files.

Auditee's Response

Spokane County Purchasing Policy is currently under review and being redefined. The Board of County Commissioners has indicated that substantially more purchasing will be centralized to facilitate internal controls and reduce costs. The County Code and all policies and procedures are being rewritten as part of this review. They will respond to all of the audit findings.

Auditor's Concluding Remarks

It appears that the county is in the process of taking appropriate steps to address the weaknesses noted.

3. The County Should Adequately Document Sole Source Procurement Contracts

During our review of the county's adherence to bid statutes we noted that they do not adequately document sole source procurement contracts. Of the seven files pulled for detailed testing, four did not contain adequate documentation to justify the sole source classification. The purchases, lacking sufficient documentation for the sole source classification, were in excess of \$500,000. The files with inadequate documentation were for network computers, closed circuit TV parts, guns and parking meters. In addition, a resolution declaring a sole source for network computers for 16 months was approved in 1996. The justifications documented do not demonstrate that the product is available from only one source or that there is any product differentiation to justify sole source procurement.

Spokane County Purchasing Department Purchasing Procedures Manual states in part:

For Sole Source Procurement an item must meet both of the following criteria:

1. Be available from only one source and
2. Have product differentiation that makes it unique in some respect from all other products.

If only one vendor can supply the needed commodity, a single quotation may be obtained from that vendor and a purchase order placed. Documentation, explaining the unique features, why they are important, critical, advantageous, or required to the extent that competition should be eliminated, must be placed in the purchase order file.

The county has not established an adequate internal control system over the purchasing process to ensure compliance with sole source procurement criteria.

Competitive bid procedures provide assurance of the lowest possible costs to the county and show a fairness on the part of the county toward vendors. By declaring a sole source without adequate documentation, the county may have improperly exempted these purchases from competitive bidding requirements.

We recommend the county strengthen documentation of justification for sole source procurement as an exception to statutory bidding requirements.

Auditee's Response

The County disagrees with this finding. On the sole source purchase of computers, our expert, the Director of Information Services, has clearly noted that the product is unique in important respects from all other products and is available from only one source. This criteria fully meets sole source legal requirements and was reviewed and approved by our legal staff.

Additionally, the Purchasing Department often consulted other technical experts who confirmed the hazards of putting together a "mixed bag" computer network. They concurred with our Information Systems Director. All the items cited seem to center on the same issue)a disagreement of "experts." This difference of opinion may be largely unavoidable based on the nature of "experts", but we will make every effort to include even more detail on product differentiation in future sole sources.

Auditor's Concluding Remarks

The documentation present in the purchasing files does not establish the sole source criteria. This documentation appears to be justification to purchase goods from other than the lowest bidder. This would be adequate if these purchases had been bid. However, the formal bidding process was not followed. Thus, we reaffirm our finding.

4. Purchasing Department Should Comply With State Bid Law Regarding Publication Of Use Of Vendor List

During our review of the purchasing department's use of vendor lists, we found the county did not properly follow state law in the procedures used for purchasing goods and services which are not required to be formally bid. The purchasing department did not publish notice of the existence of vendor lists nor solicit names of vendors for the lists as required by state law.

RCW 36.32.245 (3) states in part:

Advertisement and formal sealed bidding may be dispensed with as to purchases of less than two thousand five hundred dollars upon the order of the county legislative authority.

RCW 39.04.190 (2) states in part:

At least twice per year, the municipality shall publish in a newspaper of general circulation within the jurisdiction a notice of the existence of vendor lists and solicit the names of vendors for the lists. Municipalities shall by resolution establish a procedure for securing telephone or written quotations, or both, from at least three different vendors whenever possible to assure that a competitive price is established

The county has not established adequate policies and procedures to ensure that procurement from vendor listings meet state mandated requirements.

By not publishing a notice of the existence of vendor lists and by not soliciting names for vendor lists as prescribed by law, some members of the business community may be deprived of the opportunity to participate in the competitive bidding process.

We recommend that the purchasing department adhere to the requirements of RCW 39.04.190 (2), and revise the Spokane County Code and Spokane County Purchasing Procedures to address the use of vendor lists.

Auditee's Response

The County will publish, twice a year in the legal newspaper, a notice of the existence of vendor lists and solicit interest. The County Code is being revised and will address this.

Auditor's Concluding Remarks

It appears that the county has taken adequate steps to comply with this state compliance requirement.

5. Internal Controls Over The Fixed Asset System Need To Be Strengthened

During our audit of the fixed asset control system we noted the following weaknesses:

- a. Access to the storage warehouse, which is used to store surplus county equipment prior to auction, is not adequately controlled. Numerous county employees have keys to the storage warehouse.
- b. There is no comprehensive inventory listing of all assets in the storage warehouse awaiting sale. The county could not provide an accurate accounting of the items stored in the warehouse.
- c. Items are routinely removed from the warehouse by non-county personnel. We found several cases where individuals from a private non-profit corporation removed items from the storage warehouse including desks, chairs, a copy machine, file cabinets, computers, computer printers, etc., and did not pay the county for the private use of these items.

- d. There is no follow-up of assets identified as missing by the departments responsible for their control. There are no established policies and procedures to ensure that department personnel properly account for and protect county assets.
- e. Some assets placed in the warehouse for sale were not sold at the county auction. Several items have disappeared between the time the asset reaches the warehouse and the actual auction.
- f. Established policies and procedures developed to ensure that assets are only surplus after they no longer benefit the public are routinely circumvented. County policy requires that a list of all items to be surplus is distributed to all departments to determine if there continues to be a public use for the assets. Many county departments do not use the central warehouse and the surplus assets are never offered to other departments who could use the equipment.

RCW 43.09.200, Division of Municipal Corporations *Uniform System of Accounting*, states in part:

The accounts shall show the receipt, use, and disposition of all public property

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting System* (BARS) manual which states in Volume 1, Part 3, Chapter 7:

Accountability for fixed assets is required of all local governments, regardless of size. In addition, fixed asset accounting is required for cities and counties of over 8,000 population

The BARS manual further states:

An adequate fixed asset accounting system will enable your government to meet statutory requirements, to produce adequate records and reports, and to safeguard assets properly.

The county has not implemented an adequate internal control system over the fixed assets.

Because of the lack of controls over property and equipment there is no way to know that all items surplus are appropriately disposed of in the public's best interest.

We recommend the county:

- a. Improve the physical access controls to this facility.
- b. Discontinue allowing county equipment to be transferred to non-county entities without adequate documentation demonstrating the public benefit of the transaction.
- c. Improve internal controls over the fixed asset internal control system.

Auditee's Response

Item "a"

The County will be moving to a new warehouse in the next several months where the Purchasing Department will be in residence and control access.

Item "f"

We disagree, partially, with this finding. Every month, Purchasing makes a manual listing of surplus items held in the warehouse and distributes it to all departments in the County.

Auditor's Concluding Remarks

It appears that the county has taken adequate steps to address the weaknesses noted. With respect to "item f" we agree that a list of items in the warehouse is distributed, the problem is that all departments are not using the central warehouse and consequently not all assets available are offered to other departments who could use them.

6. Internal Controls Over Cash Receipting Should Be Strengthened At District Court

During our audit of the county's district court cash receipting system which collected more than \$3.8 million, we noted the following internal control weaknesses:

- a. There is an improper segregation of duties for the cashiers. The cashiers receipt cash, create time pays, post adjustments to daily receipts and accounts receivable files in the District Court Information Systems (DISCIS). These are incompatible duties for the cashiers.
- b. Cashiers reduce the amounts due on tickets, referred to as counter mitigation, without adequate management review or authorization.
- c. Cashiers are given improper access to the DISCIS computer system. Cashiers have been assigned the accountant user identification which allows them special privileges of completing overrides and creating time pays and receipt reversals.
- d. There is no evidence of an independent review of DISCIS created audit reports. Audit adjustment reports are given a limited review. Our testing revealed that 13 out of 22 (59 percent) of cases tested did not have adequate supporting documentation for adjustments.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

These conditions exist because the district court has not implemented strong internal controls over the cash receipting system.

Inadequate internal control over cash receipting increases the court's exposure to theft.

We recommend that the cash receipting internal control system be strengthened. We further recommend the audit reports be adequately reviewed and retained.

Auditee's Response

The Court has neither the adequate personnel or the required supporting additional office space to further segregate the cashiering functions. We are in agreement that some improvements can be made. We don't believe however, that the weaknesses noted are significant enough to cause serious damage to the Court's ability to properly safeguard cash.

- a. *One of the primary goals of the Court is to service those individuals coming down from court as efficiently as possible. Under current working conditions, it is not possible to further segregate the receipting of cash, the creation of time pays and adjusting accounts receivable balances without sacrificing customer service. These accounting functions are currently given limited reviews by third parties: the disposition desk as well as the time pay desk. We can increase their level of review in this area. Currently, adjusted receipts and accounts receivable adjustments are given a limited review by management. We will strengthen internal control by increasing management's review of the audit reports.*
- b. *We are in agreement with this condition however we are not able to change our procedures due to personnel constraints.*
- c. *The Cashiers were given accountant privileges because of the volume of activity requiring adjustment and personnel constraints that were needed to individually authorize adjustments. Management has been giving these adjustments a limited monthly review. We concur that controls need to be strengthened in this area and will increase management's review of these items.*
- d. *Management began reviewing monthly audit reports during the latter part of 1995. All adjustments reviewed that are not documented in the system are followed up on and the reasons adjustments are being made are noted. All personnel have been told to always leave an audit trail to document the reason for any adjustment. Management will increase their review of these items as well as keep the audit reports reviewed with an explanation of their review.*

Auditor's Concluding Remarks

It appears that the district court is in the process of implementing procedures to adequately address most of the weaknesses noted. With respect to counter mitigation, we feel that under the current system the court is not able to adequately ensure that all money received is deposited for the benefit of the public. We encourage the court to implement procedures to address all of the weaknesses noted.

7. Internal Controls Over Cash Receipting Should Be Strengthened At The Office Of County Clerk

During our audit of the office of county clerk's cash receipting system which collected more than \$8.8 million during 1995, we noted the following internal control weaknesses:

- a. "Redi-form" receipts are used. The use of "Redi-form" receipts increases the risk that errors and irregularities could occur and not be detected in a timely manner. This is because the assignment of the numerical sequence to these receipt forms is not under the court's control. Without numeric control over receipts, there can be no assurance that all receipts are recorded and deposited.
- b. Cashiers perform incompatible duties. They receipt cash, post adjustments to daily receipt and accounts receivable files in the Judicial Accounting Sub-System (JASS).

- c. Cashiers have been assigned the accountant user identification to access the JASS system which allows them the ability to complete overrides and receipt reversals. These are incompatible duties.
- d. Audit adjustment reports have not been consistently generated or reviewed. These audit reports are necessary to provide adequate management oversight of the cash receipting process.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

The court clerk contends that staffing considerations and work load issues impedes the implementation of strong internal controls.

Inadequate internal control over cash receipting increases the court's exposure to possible theft.

We recommend that the cash receipting internal control system be strengthened. We further recommend the audit reports be created, adequately reviewed and retained.

Auditee's Response

This office appreciates the opportunity to meet with your accountants regarding the internal control of our financial division. I will do everything possible to improve internal control within budgetary and space constraints.

In specific response to audit issues the financial supervisor indicates the following:

- *Redi-form receipts currently used are numerically sequenced. They are used infrequently, usually if the cash receipting system is down. All original receipts are now attached to the Redi-form for verification that the actual funds have been receipted. Customized numerical sequenced receipts will be used effective October 1, 1996.*
- *Currently, all adjustments are entered into a journal as they occur and reviewed routinely. Effective immediately, all cash adjustments and the reversal report will be reviewed daily and approved by the financial supervisor or accounting technician. Currently all disbursements are reviewed by the accounting technician daily. Cashiers ability to adjust accounts receivable will be limited.*
- *Cashiers will also be re-assigned new access levels into the JASS system. Their security will be based on a division of responsibilities.*
- *Effective immediately, the financial supervisor will request all applicable audit reports that JASS provides. These reports will be reviewed by the supervisor or accounting technician and approved by the Chief Deputy Clerk on a daily or monthly basis.*

Thank you for the opportunity to review internal control. As discussed in our meeting, staffing levels and space problems seriously aggravate internal audit conditions. Also, the JRS does not provide the capability to perform an audit of each cashier's transactions on equipment that is shared. The State has provided only two PC cash registers.

Again, we will improve the internal control over the cash receipting system and review/retain all JASS audit reports.

Auditor's Concluding Remarks

It appears that the court clerk has implemented procedures to adequately address the weaknesses noted. We wish to thank the court clerk's office for their prompt attention to these matters and the courtesies extended to the auditors.

8. The County Should Not Give Retroactive Pay Increases To Non-represented County Employees

During our review of the payroll system we noted that the county improperly approved retroactive pay raises. On March 14, 1995, and again on June 18, 1996, the county commissioners approved retroactive cost of living pay adjustments for non-represented county employees.

Washington State Constitution, Article 1, Section 25, states that Extra Compensation is Prohibited.

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the service shall have been rendered, or the contract entered into

The county did not comply with the state of Washington Constitution. They spent approximately \$29,800 in 1995 and \$65,600 in 1996 inappropriately by granting extra compensation to non-represented county employees after the services had been rendered.

We recommend county management comply with the state laws governing retroactive pay increases.

Auditee's Response

The Board of County Commissioners is charged with setting and establishing the salaries of certain County elected officers, its own employees, and employees of other County elected officials pursuant to the provisions of Chapter 41.56 RCW, Chapter 36.17 RCW and RCW 36.16.070.

Audit Finding Number 8 takes issue with the County Commissioners providing increases to non-represented County employees on March 14, 1995, and again on June 18, 1996.

The audit finding opines that such pay increases are contrary to the provisions of Article II, section 25 of the Washington State Constitution. That provision, which has been modified to some extent by Amendment 35 and Amendment 54, provides in material part as follows:

Extra compensation prohibited.

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered, or the contract entered into, nor shall the compensation of any public officer be increased or diminished during his term of office. Nothing this section shall be deemed to prevent increases in pensions after such pensions shall have been granted.

It is uncontested that this constitutional provision applies to the County. However, the County disputes that it violated such provision when granting the March 14, 1995, and June 18, 1996, salary adjustments to non-represented County employees.

The County does not believe that these adjustments were unlawful retroactive increases. They were simply, "deferred" compensation based upon a resolution executed by the Board of County Commissioners which provided that all non-represented employees would receive salary adjustments increases based upon, in part, increases received by certain represented County employees. It was based upon this resolution, that non-represented County employees continued to work in calendar year 1995 and 1996 with the expectation that the salaries established in the respective years budgets would be adjusted later on in both years. The concept of employees continuing to work for certain wages with an understanding that they were deferring additional compensation until a further date has been recognized by the Washington State Supreme Court as consistent with Article II, section 25 of the Washington State Constitution. In Christie v. The Port of Olympia 17 Wn.2d 534, 543, 179 P.2d294 (1947), the court held:

. . . The payments contemplated are neither gifts nor "extra compensation." Assuming for the present that the contract was legally made, the payments represent compensation which accrued in strict pursuant to a contract made before the work was done. It is true that the resolution providing for the payments is unhappily worded. It speaks of "retroactive compensation," but, plainly, it is merely deferred compensation that was provided for in the contract.

The Washington State Attorney General has endorsed the court's decision in Christie. (See, AGO 1974, No. 19).

Consistent with the court's holding in Christie, the Board of County Commissioners adopted Resolution Number 92-0648. This resolution could possibly have been more artfully drafted, but its intent was to form an agreement with non-represented employees to provide for "deferred" compensation to be received upon successful negotiations with bargaining units.

Accordingly, the County respectfully disagrees with this audit finding. The County does however acknowledge that it may be appropriate to more artfully articulate the "deferred" compensation approach to providing for mid-year adjustments applying to non-represented employees.

Auditor's Concluding Remarks

We agree with the county that Resolution No. 9-0648 should be more appropriately drafted to permit retroactive salary increases. Unlike the decision in Christie, 27 Wn.2d 534, and AGO 1974 No. 19 discussing the Christie decision:

The court found, however, that an express agreement had been entered into at the expiration of the prior contract under which the employees agreed to continue to work after that date on the condition that the pay currently being received by them was not to be considered full compensation and that the new rate, when determined through arbitration, would apply to such work.

Additionally, the resolution relied on by the county does not create a contractual obligation by the county to award additional compensation beginning at any certain time. Accordingly, we reaffirm our finding.

9. Separation Of Duties Between Payroll And Human Resources Should Be Improved

Inappropriate separation of duties exist between the payroll and human resources. Payroll establishes new employees files, makes semi-monthly payroll transactions and makes any changes to the employee employment status, including removing the employee from the system. Human resources is not properly authorizing users for access privileges and payroll and human resources responsibilities are not adequately documented.

The county's payroll department is part of the county auditor's financial services department. It has full capability to add, delete and change employee information, perform payroll processing functions and distribute the payroll checks. The county's human resources department is organizationally responsible to the board of county commissioners. It does not complete an independent review of payroll activity.

Payroll and human resources responsibilities are not adequately documented. The county does not have written policies or procedures in the following areas:

- a. Preparation of data (timekeeping, data entry, personnel action forms).
- b. Securing and controlling negotiable source documents.
- c. Identification, correction, and resubmission of rejected data.
- d. Balancing and reconciliation of output.

The AICPA's *Professional Standards*, Volume A, in Section 320.37 states:

Incompatible functions for accounting control purposes are those that place any person in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties.

The lack of written policies and procedures results in a loss of accountability. Incomplete documentation inhibits the complete understanding of the system's functions, making employee training as well as system modification more difficult.

We note that the county has activated a position authorization feature of its payroll/human resources computer application. This provides an alternative control that limits the extent of errors or irregularities that may occur. However, it does not prevent errors or irregularities in certain situations, e.g., part-time employees and unfilled authorized positions.

The combined effect of inappropriate separation of duties and inadequate written policies and procedures increase the risk that errors or irregularities could occur during the normal course of business and not be detected in a timely manner.

The county purchased the Government Human Resources System (GHRS) because the vendor was no longer going to support the old payroll system. There was no feasibility study and planning. The county bought GHRS and put it on line without determining how the payroll and human resources departments should perform the payroll function. And, senior management gave little priority to writing policies and procedures.

These same conditions regarding payroll procedures at the county were reported in our 1993 and 1994 reports.

We again recommend the county take the following actions:

- a. Establish appropriate separation of duties between the payroll and human resources departments as stated below:

- (1) Ensure that the payroll department acts independently of the financial accounting function, i.e., the payroll department should be limited to processing payroll.
 - (2) Human resources should perform the function of adding, deleting, and completing employee changes to the employee master file.
- b. The county payroll and human resources departments should develop written policies and procedures for maintaining and reporting payroll and personnel transactions in the following areas:
- (1) The preparation of data (timekeeping, data entry, personnel action forms).
 - (2) Securing and controlling negotiable source documents.
 - (3) Identification, correction, and resubmission of rejected data.
 - (4) Balancing and reconciliation of output.

Auditee's Response

The Financial Service Department of the Auditor's Office, as stated in our past responses to this finding, agrees with it and is willing to transfer the function of adding, deleting and completing employee changes to the employee master file from its payroll division to Human Resources. When this will occur has not been agreed upon by Human Resources. It is our goal to accomplish this by the end of 1996.

In addition, as stated in our past responses to this finding, Financial Services will allocate resources to writing payroll policies and procedures once the Human Resources Department approves its "Personnel Policy Manual". At this time, the manual still hasn't been approved.

We feel any future findings regarding this subject should be directed solely to the Human Resources Department. Without their participation and cooperation, this finding will never be resolved.

Auditor's Concluding Remarks

We continue to encourage the county to make properly separate the human resource department and the payroll department. By failing to implement recommended changes, the county continues to be unnecessarily exposed to fraud.

10. The County Should Improve Security Access Controls Over Its Computer System

During our audit of the county's computer systems, we noted security over access to the systems should be improved. Our tests disclosed that the current use of security controls does not limit users to only those functions that they need to do their job. Several problems were noted as follows:

Information Systems Staff Security Environment

- . Information systems staff have access to the program documentation, production programs and data files, and access privileges are not granted based on job

responsibilities. They have the capability to add, delete, change, approve, and override transactions.

- . Access security is established and controlled by application programmers.
- . The county does not have a library function. By utilizing a library, the county's information systems staff would not make changes to the on-line operating programs, thereby risking corruption of current county data. Information systems staff have access to all active programs. Further, the county does not have a librarian to monitor access to the programs.

User Security Access Environment

- . Unlimited invalid access attempts are allowed and there are no written procedures established for the investigation of security violations.
- . Passwords are not changed on a periodic basis, and many have never been changed.
- . The security core foundation logging capabilities, the controls to ensure that unauthorized access to the county's computer applications do not occur, have not been implemented. There is no audit trail of application security violations, approval logging or override logging.

The EDP Auditor's *Foundations, Control Objectives*, Section 3.4.1, states:

Access to the computing resources of the Systems Services Department should be limited to those individuals with a documented and authorized need for such access. Layers of logical and physical access controls should be provided to protect the department's computing resources against unauthorized use or modification, damage, or loss.

Access controls are designed to limit access to documentation, files, and programs. A weakness in or lack of such controls increases the opportunity for unauthorized modifications to files and programs, as well as misuse of the computer hardware. Weaknesses in systems software, program, and data security significantly decrease the integrity of the system.

County officials have not implemented or monitored security controls over its computer systems to ensure adequate access security is established for all county computers containing critical production programs and data files.

We recommend that county management strengthen controls over the information systems.

Auditee's Response

Response From Information Systems

Information Systems Staff Security Environment

- *Information Systems staff have access to the program documentation, production programs and data files, and access privileges are not granted based on job responsibilities. They have the capability to add, delete, change, approve, and override transactions.*

ISD Response: *In today's environment where there is often only one ISD staff member supporting major applications, it is not feasible to deny access to documentation, programs and files. Separation*

of duties as is being suggested here is impossible when there is only one person being used to support the system. The ability to provide support for today's software systems with a limited number of people makes it necessary that access to these items be provided. It is inaccurate to state that access privileges are not granted based on job responsibilities because they in fact are. For example, the ISD Systems Analyst who supports the OASIS application cannot access the LGFS or GHRS on-line applications and the OASIS Programmers cannot access as much of the OASIS on-line system as the Systems Analyst. ISD staff cannot add, delete, change, etc. in the GHRS application. Only ISD Systems Analysts can do these types of transactions in LGFS and OASIS. The ability to effectively troubleshoot and assist customers with questions they may have requires selected ISD staff be able to perform these functions. The inability to do so has caused significant time delays in resolving issues in GHRS.

- Access security is established and controlled by application programmers.

ISD Response: Security is established and controlled by the County Departments. ISD Systems Analysts, not application programmers, implement security changes authorized by the customers.

- The county does not have controls for the library function, and all Information Systems staff have access to the librarian program. The county does not have a librarian to monitor access to the programs.

ISD Response: The County's librarian program, SourceBank, is an automated librarian that controls and monitors changes to all programs and job control streams. All changes to these items are recorded in a history file that shows who made the change, when the change was made and what Customer authorized project caused the need for the change. SourceBank allows previous versions of its items to be recalled making it possible to see exactly what was changed. Items must be checked out and checked back in to effect changes and only one copy of a particular item may be checked out at a time.

User Security Access Environment

ISD Response: ISD will implement the suggested changes if requested to do so by the County Departments.

Auditor's Concluding Remarks

We continue to assert that the noted weaknesses should be addressed to mitigate the county's exposure to abuse. Thus we affirm our finding.

Further, we appreciate the county's timely response to our audit findings. We will review the county's progress in these areas during our next regularly scheduled audit.

We also wish to thank the county officials, managers, and personnel for their assistance and cooperation during our audit.

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Board of Commissioners
Spokane County
Spokane, Washington

We have audited the accompanying general-purpose financial statements of Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spokane County, at December 31, 1995, and the results of its operations and cash flows of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The special purpose districts listed in the supporting schedule are audited as a part of the trust and agency funds of Spokane County.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 1996, on our consideration of the county's internal control structure and a report dated September 19, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

September 19, 1996

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Commissioners
Spokane County
Spokane, Washington

We have audited the general-purpose financial statements of Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 19, 1996. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Spokane County taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

September 19, 1996

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Commissioners
Spokane County
Spokane, Washington

We have audited the general-purpose financial statements of Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 19, 1996.

We have applied procedures to test the county's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995:

- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the county had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

September 19, 1996

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Major Federal Financial Assistance Programs**

Board of Commissioners
Spokane County
Spokane, Washington

We have audited the general-purpose financial statements of Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 19, 1996.

We also have audited the county's compliance with the requirements applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- eligibility
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to vouchers, right-of-way, extensions, and sampling and testing for Highway Planning and Construction (CFDA 20.205); approvals, environmental reviews, program income and subsequent agreements for the Community Development Block Grant (CFDA 14.218); and administrative cost limitation for the Home Investment Partnership Program (CFDA 14.239) as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments, Catalog of Federal Domestic Assistance*, and grant agreement/contract
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the county is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Spokane County complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance programs for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

September 19, 1996

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Commissioners
Spokane County
Spokane, Washington

We have audited the general-purpose financial statements of Spokane County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated September 19, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the county complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the county's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated September 19, 1996.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- . Accounting Controls
 - Cash receipts
 - Cash disbursements
 - Receivables
 - Accounts payable
 - Purchasing and receiving
 - Payroll
 - General ledger
- . General Requirements
 - Political activity
 - Davis-Bacon Act
 - Civil rights
 - Cash management
 - Relocation assistance and real property acquisition
 - Federal financial reports
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements, including subrecipient monitoring
- . Specific Requirements
 - Types of services
 - Eligibility
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- . Claims For Advances And Reimbursements
- . Amounts Claimed Or Used For Matching

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- . Accounting Controls
 - Inventory control
 - Property, plant, and equipment

During the fiscal year ended December 31, 1995, the county expended 90 percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the county's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

September 19, 1996

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Status Of Prior Findings

The findings contained in the prior audit report were resolved as follows:

1. Controls Over Cash Receipting Should Be Improved

Resolution: Unresolved) See Finding 2.

2. The County Assessor Should Improve Internal Controls Over Operations

Resolution: The Department of Revenue was performing a review of the assessor's office during 1996 and the county is taking corrective actions.

3. The County Assessor Should Establish Controls Over Exemptions To Ensure Compliance With State Laws

Resolution: The Department of Revenue was performing a review of the assessor's office during 1996 and the county is taking corrective actions.

4. The County Assessor Needs To Improve Procedures Over Segregation

Resolution: The Department of Revenue was performing a review of the assessor's office during 1996 and the county is taking corrective actions.

5. County Assessor Needs To Improve Application Controls

Resolution: The Department of Revenue was performing a review of the assessor's office during 1996 and the county is taking corrective actions.

6. The County Assessor Is Not In Compliance With State Law

Resolution: The Department of Revenue was performing a review of the assessor's office during 1996 and the county is taking corrective actions.

7. The County Parks Department Needs To Improve Controls Over Golf Course Cash Receipting

Resolution: Resolved) The county is in the process of implementing a new computerized cash register system for the three golf courses.

8. The County Should Not Pay Contacts In Advance Or Inappropriately Approved Unemployment Benefits

Resolution: Resolved) The county has established a severance pay policy.

9. The Utilities Department Should Strengthen Cash Receipting Controls And Establish Collection Procedures For Delinquent Accounts Receivable Over The Aquifer Protection Area

Resolution: Resolved) The treasurer's office will begin billing and collecting of the APA fees.

10. Separation Of Duties Between Payroll And Human Resources Should Be Improved

Resolution: Unresolved. See Finding 10.

Federal Findings

1. Controls Over Accuracy Of Information Reported For Reimbursement Requests Should Be Improved

Resolution: Resolved) The inappropriate costs of \$40,000 that were charged in the prior year were deducted from the costs charged in 1995 to compensate for the prior year overexpenditure.

SPOKANE COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Status Of Prior Questioned Costs

<u>Grant</u>	<u>Audit Report Year</u>	<u>Costs Questioned</u>	<u>Current Status</u>	
			<u>Unresolved</u>	<u>Resolved</u>
Aquifer Well Head Protection CFDA 66.433 No. X-000386-01	1995	\$40,000		X